

1997-98 SESSION
COMMITTEE HEARING
RECORDS

Committee Name:

Joint Committee on
Finance (JC-Fi)

Sample:

Record of Comm. Proceedings ... RCP

- 05hrAC-EdR_RCP_pt01a
- 05hrAC-EdR_RCP_pt01b
- 05hrAC-EdR_RCP_pt02

➤ Appointments ... Appt

➤ **

➤ Clearinghouse Rules ... CRule

➤ **

➤ Committee Hearings ... CH

➤ **

➤ Committee Reports ... CR

➤ **

➤ Executive Sessions ... ES

➤ **

➤ Hearing Records ... HR

➤ **

➤ Miscellaneous ... Misc

➤ 97hrJC-Fi_Misc_pt116_LFB

➤ Record of Comm. Proceedings ... RCP

➤ **

Transportation

Local Transportation Projects

(LFB Budget Summary Document: Page 589)

LFB Summary Items for Which Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
1	Milwaukee Brewers Stadium Infrastructure (Paper #835)
2	Passenger Rail Service (Paper #836)
4	Freight Rail Infrastructure Improvement Program (Paper #837)
7	Railroad Crossing Repair Assistance (Paper #838)
8	Assessment of Wisconsin Railroads to Fund Railroad Crossing Improvements (see Paper #693)

<p>To: Joint Committee on Finance</p> <p>From: Bob Lang, Director Legislative Fiscal Bureau</p>

ISSUE

Milwaukee Brewers Stadium Infrastructure (DOT -- Local Transportation Projects)

[LFB Summary: Page 589, #1]

CURRENT LAW

The memorandum of understanding (MOU) concerning the stadium that was signed by the state, the City of Milwaukee, Milwaukee County and the Milwaukee Brewers identified maximum expenditures of \$72 million for related infrastructure improvements. The state agreed to fund costs related to the stadium interchange and USH 41, including highway construction, utility siting and relocation, right-of-way acquisition and relocation and associated hazardous material remediation. The city and county agreed to share equally in the costs associated with pad improvements, parking areas, the removal of the existing stadium and associated hazardous material remediation. Under the MOU, the state's share of the infrastructure costs was estimated at \$36 million.

In the 1995-97 transportation budget, \$15 million was put in reserve for this purpose, to be used through the highway rehabilitation program. An additional \$9 million from a federal demonstration grant is also available for these costs. Therefore, the remaining state share is \$12 million.

GOVERNOR

Provide \$3,000,000 SEG in 1997-98 and \$9,000,000 SEG in 1998-99 for the state's share of infrastructure costs related to the construction of a new baseball stadium for the Milwaukee Brewers. Provide these funds through a new, continuing appropriation for transportation aid to the professional baseball park district. Specify that these funds could be used for costs for the

development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium.

DISCUSSION POINTS

1. In order to provide the \$36 million state share of stadium infrastructure costs that was estimated in the MOU, an additional \$12 million would be needed, which the bill would provide. The majority (\$24 million) of the state share involves work on the state trunk highway system (primarily the relocation of USH 41). DOT will act as the project manager for this work. However, for stadium infrastructure work not on the state trunk highway system (such as interior roadways and parking lots), the stadium district will act as the project manager. Therefore, under the bill, the additional \$12 million will be paid as aid to the stadium district.

2. Although the final cost of the STH rehabilitation project is not yet known, DOT anticipates that it will be close to the \$24 million already provided for this purpose. If the cost is more than this, the Department expects that the stadium district would return some of the \$12 million to DOT. For example, if work on USH 41 costs \$25 million, the stadium district would return \$1 million of the \$12 million provided in SB 77 to DOT and the district would use the remaining \$11 million for other projects.

3. DOT anticipates that during each year of the biennium, the entire amount would be sent to the stadium district in one payment (\$3,000,000 in 1997-98 and \$9,000,000 in 1998-99). The bill would establish a continuing appropriation to make these payments. However, given that the full payments would likely be made with one check each year, an annual appropriation may be appropriate.

4. Since the \$12 million provided under the bill would complete the state's commitment to this project, this appropriation could be repealed at the end of 1998-99.

5. Staff at the Southeastern Wisconsin Professional Baseball Park District indicate that the \$12 million would be used to construct interior roadways that would connect the stadium's parking lots to local streets and USH 41. It should be noted that the MOU does not specify whether the state or the county and city would be responsible for the cost of constructing the interior roadway system.

6. An argument could be made that the state's commitment for infrastructure costs will be fulfilled when the activities related to the state highway system are completed, regardless of whether those activities cost less than \$36 million. Under the MOU, the \$36 million amount was identified as the estimated cost of state highway improvements. The MOU does not specifically commit the state to spending the full \$36 million.

7. It could also be argued that the state should provide the entire \$36 million identified in the MOU, regardless of the types of activities funded with those dollars. However, since the \$12 million will not be spent on the state highway system, an alternative would be to use general purpose revenue to make the \$12 million aid payment to the District.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to provide \$3,000,000 SEG in 1997-98 and \$9,000,000 SEG in 1998-99 in the form of aid to the stadium district through a new, continuing appropriation for costs related to the development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium.

<u>Alternative 1</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$12,000,000
[Change to Bill]	\$0]

2. Provide \$3,000,000 SEG in 1997-98 and \$9,000,000 SEG in 1998-99 in the form of aid to the stadium district through a new, annual appropriation for costs related to the development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium. Specify that the appropriation be repealed on June 30, 1999.

<u>Alternative 2</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$12,000,000
[Change to Bill]	\$0]

3. Provide \$3,000,000 GPR in 1997-98 and \$9,000,000 GPR in 1998-99 in the form of aid to the stadium district through a new, annual appropriation for costs related to the development, construction, reconstruction or improvement of bridges, highways, parking lots, garages, transportation facilities or other functionally related or auxiliary facilities or structures associated with construction of the stadium. Specify that the appropriation be repealed on June 30, 1999.

<u>Alternative 3</u>	<u>GPR</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$12,000,000	\$0	\$12,000,000
[Change to Bill]	\$12,000,000	- \$12,000,000	\$0]

4. Take no action.

<u>Alternative 4</u>	<u>SEG</u>
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$12,000,000]

Prepared by: Jon Dyck and Kelsie Doty

MO# Alt 2

2 BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	<u>N</u>	A
GEORGE	<u>Y</u>	N	A
JAUCH	<u>Y</u>	N	A
WINEKE	Y	<u>N</u>	A
SHIBILSKI	Y	<u>N</u>	A
COWLES	<u>Y</u>	<u>N</u>	A
PANZER	<u>Y</u>	N	A

JENSEN	<u>Y</u>	N	A
OURADA	<u>Y</u>	N	A
HARSDORF	Y	<u>N</u>	A
ALBERS	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
KAUFERT	<u>Y</u>	N	A
LINTON	<u>Y</u>	N	A
COGGS	<u>Y</u>	N	A

AYE 11 NO 5 ABS 0

<p>To: Joint Committee on Finance</p> <p>From: Bob Lang, Director Legislative Fiscal Bureau</p>

ISSUE

Passenger Rail Service (DOT -- Local Transportation Projects)

[LFB Summary: Page 590, #2]

CURRENT LAW

The state has a contract with the National Railroad Passenger Corporation, or Amtrak, to operate six daily round trips between Chicago and Milwaukee. The cost for running the service, known as the Hiawatha route, is covered by ticket revenue, Amtrak (which receives money from the federal government) and the states of Wisconsin and Illinois. The current contract expires June 30, 1997.

GOVERNOR

Provide \$2,300,000 annually of federal congestion mitigation and air quality improvement funds to help pay Wisconsin's share of the cost to run the Hiawatha train service between Milwaukee and Chicago. Create FED and SEG-L (local funds) continuing appropriations for the purpose of passenger rail service and promotion and renumber the current SEG appropriation.

Create authority for DOT to do the following: (a) acquire equipment for the purpose of providing rail passenger service or support services for passenger rail; (b) enter into agreements with other states to assist or promote rail passenger service; and (c) conduct its own marketing studies and promotional activities, in addition to contracting for such services, as is allowed under current law. Eliminate the requirement that DOT must ensure, before contracting for marketing studies and promotional activities, that a local government spends at least an equal amount on similar or complementary activities. Delete the requirement that DOT must give priority to funding additional passenger service over marketing studies or promotional activities.

Expand DOT's current authority to contract with Amtrak or railroads to provide passenger rail service to permit the Department to do the following: (a) contract with other persons to provide passenger rail service; and (b) contract with Amtrak, railroads or other persons to provide support services for passenger rail service. Permit DOT, as a condition of these contracts, to provide for the sale or lease of passenger rail equipment acquired by the Department. Allow DOT to enter into contracts for rail passenger service or support services without using competitive bidding or competitive sealed proposals.

DISCUSSION POINTS

Funding for Passenger Rail Service

1. Late in 1989, Wisconsin and Illinois began sponsoring two daily round trips on the Hiawatha route in addition to the three that were run by Amtrak as part of its national passenger rail system. The states paid a portion of the costs of running the two round trips that was not covered by ticket revenue.

2. Over the period of the next several years, the states sponsored additional routes which increased costs. In December, 1994, Amtrak announced that it planned to discontinue all Hiawatha service due to federal budget cuts. After negotiations with the states, Amtrak agreed to continue providing service if the states paid a higher proportion of the costs. The following table shows the amount that Wisconsin has been required to pay for maintaining service, and the number of round trips that the states directly subsidized. For the purposes of comparison, the annualized cost and cost per supported trip are also shown.

<u>Contract Period</u>	<u>Number of Supported Round Trips</u>	<u>Wisconsin's Costs</u>	<u>Annualized Cost</u>	<u>Cost Per Supported Trip</u>
Nov., 1989, to Oct., 1990	2	\$196,812	\$196,812	\$98,406
Nov., 1990, to June, 1991	2	108,562	162,843	81,422
July, 1991, to June, 1992	4	229,737	229,737	57,434
July, 1992, to June, 1993	4	274,262	274,262	68,566
July, 1993, to June, 1994	4	435,481	435,481	108,870
July, 1994, to March, 1995	4	406,037	541,383	135,346
April, 1995, to June, 1995	4	112,000	448,000	112,000
July, 1995, to Sept., 1996	6	3,320,943	2,656,754	442,792
Oct., 1996, to June, 1997	6	2,192,000	2,922,667	487,111

3. The current contract requires the state to pay a fixed amount that, unlike the prior agreements, does not depend upon ticket revenue.

4. The bill would provide \$2.3 million annually of federal congestion mitigation and air quality improvement (CMAQ) funds to pay Wisconsin's share of contract costs during the 1997-99 biennium. This, coupled with base funding of \$572,500 SEG, would provide \$2,872,500 annually.

5. The \$2.3 million figure was an estimate of the amount needed to provide service based on the assumption that the costs would be the same as under the current contract. However, the state has just signed a new three-year contract with Amtrak in which the costs exceed the amounts that the bill would provide. The following table shows what the state must pay in the next three years under the contract and additional funding that would be needed to fund these payments.

<u>Fiscal Year</u>	<u>Contract Amount</u>	<u>Funding Under Bill</u>	<u>Difference</u>
1997-98	\$3,650,000	\$2,872,500	\$777,500
1998-99	3,412,500	2,872,500	534,000
1999-00	3,712,000	N.A.	N.A.

6. The new contract would continue to provide six daily round trips, but has a number of new elements. Most significantly, the state has agreed to pay \$687,500 in capital improvements in the first year. Included in these improvements are the replacement of the cab cars and the construction of a maintenance facility in Milwaukee. These improvements are expected to make the service more efficient.

7. DOT has proposed to cover a portion of the additional costs by using \$620,000 FED in 1997-98 and \$430,000 FED in 1998-99 from the CMAQ appropriation, which funds projects in southeastern Wisconsin that are intended to reduce congestion or improve air quality. Since the use of CMAQ money requires a 20% match, DOT proposes increasing the SEG rail passenger service appropriation by \$157,500 in 1997-98 and \$110,000 in 1998-99 to fully fund the match.

Statutory Changes

8. The bill would make a number of changes to expand DOT's authority to provide or contract with other parties to provide passenger rail services or support services for passenger rail. The bill would also allow the Department greater flexibility in promoting the service.

9. One of the most significant changes would allow DOT to purchase equipment and sell or lease it to service providers. This would potentially allow more firms to bid for contracts to provide service, since they would not have to own the expensive equipment to be eligible. DOT indicates, however, that there are no plans to purchase any equipment during the 1997-99 biennium.

10. Since the new contract with Amtrak requires the state to pay for some equipment and maintenance facilities, in its proposal to fund that contract, DOT also asked for statutory changes that would allow it to contract for or acquire equipment or support facilities (including, but not limited to, station improvements, passenger platforms, parking areas and equipment maintenance shops).

11. Another change in the bill would allow DOT to contract with a wider array of service providers. Currently, DOT can contract only with Amtrak or applicable railroads. Expanding this authority to include "other qualified persons" would allow more firms to bid to provide service, which may increase the competitiveness of such bidding. The bill would also allow DOT to enter into these contracts without using competitive bidding or competitive sealed proposals. DOT indicates that this change was added because typically the owner of the track that would be used for passenger service is the only party eligible to enter into the contract.

12. Another change would allow DOT to enter into agreements with other states for the provision of passenger rail service. Currently, a consortium of states is exploring the possibility of expanding passenger rail service throughout the midwest, with the goal of creating subsidy-free service. In order to join this effort, known as the Midwest Rail Initiative, DOT needs the authority to enter into agreements with these states.

13. The bill would also allow DOT to conduct its own marketing studies and promotional activities. Currently, DOT can pay for promotion or marketing studies, but must contract for these services. The bill would also delete the requirement that a local government must spend at least as much on marketing studies or promotion before DOT can expend funds for these purposes. Finally, the bill would eliminate the requirement that DOT give priority to funding additional passenger service over marketing studies or promotional activities. These changes would make it easier to fulfill a provision in the new contract in which the state agrees to spend money on advertising equal to about 3.7% of total state payments.

14. The changes in the bill related to promotion and marketing studies would give DOT more flexibility in promoting the service. They would, for instance, allow DOT to respond quickly when it determines that promoting a certain event will increase ridership. While these changes may help DOT to increase ridership, this will not reduce the amount the state must pay Amtrak. Unlike prior contracts, the current contract, as well as the new contract beginning on July 1, 1997, requires the state to pay a fixed amount for the service.

15. Although additional promotion would not decrease what the state owes Amtrak, making these changes may still be warranted if the goals of such promotion, such as increased attendance at Wisconsin events or reduced highway congestion are viewed as beneficial.

ALTERNATIVES TO BASE

A. Funding for Passenger Rail Service

1. Approve the Governor's recommendation to provide \$2,300,000 FED annually of congestion mitigation and air quality improvement funds (CMAQ) to pay the cost of passenger rail service. Create FED and SEG-L (local funds) continuing appropriations for the purpose of passenger rail service and promotion and renumber the current SEG appropriation.

<u>Alternative 1</u>	<u>FED</u>
1997-99 FUNDING (Change to Base)	\$4,600,000
[Change to Bill]	\$0]

2. Provide \$2,920,000 FED in 1997-98 and \$2,730,000 FED in 1998-99 of congestion mitigation and air quality improvement funds (CMAQ) to pay the cost of passenger rail service through a new FED, continuing appropriation for the purpose of passenger rail service and promotion. Provide \$157,500 SEG in 1997-98 and \$110,000 SEG in 1998-99 to fully fund the 20% match for these funds. Reduce the congestion mitigation and air quality improvement appropriation by \$620,000 FED in 1997-98 and \$430,000 FED in 1998-99 to reflect the use of a portion of the base funding from this appropriation for passenger rail service. Create a SEG-L, continuing appropriation for passenger rail service and renumber the current SEG appropriation.

<u>Alternative 2</u>	<u>FED</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$4,600,000	\$267,500	\$4,867,500
[Change to Bill]	\$0	\$267,500	\$267,500]

3. Take no action.

<u>Alternative 3</u>	<u>FED</u>
1997-99 FUNDING (Change to Base)	\$0
[Change to Bill]	- \$4,600,000]

B. Statutory Changes

1. Approve the Governor's recommendation to expand DOT's authority to contract for passenger rail services or support services (including the authority to enter into contracts without using a competitive bidding process), allow for the acquisition of equipment related to passenger rail service and increase DOT's flexibility for doing promotion and marketing studies.

2. Approve the Governor's recommendation to make statutory changes related to the provision of passenger rail, but modify the changes in one or more of the following areas:

a. Expand the authority of DOT to acquire or contract for the provision of equipment or support services related to passenger rail by also including support facilities, including, but not limited to, equipment maintenance shops, station improvements, passenger platforms and parking areas.

b. Retain current law with respect to requiring competitive bidding or competitive sealed bids when contracting for passenger rail services or support services.

c. Retain current law with respect to promotion and marketing studies, requiring that DOT contract for such services, give priority to additional passenger rail service before money is spent on promotion or marketing studies and only spend an amount equal to or less than amounts spent by local governments on complementary studies or promotion.

3. Take no action.

Prepared by: Jon Dyck

MO# A-2

2 BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
1 JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0

MO# B-2(a)

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A
1 JENSEN	<input checked="" type="radio"/>	N	A
2 OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	<input checked="" type="radio"/>	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 15 NO 1 ABS 0

TRANSPORTATION

Bonding Authorization for Amtrak Extension or Commuter Rail

Motion:

Move to specify that railroad track or station improvements related to the extension of Amtrak's Hiawatha service from Milwaukee into Waukesha County or the establishment of commuter rail in this corridor are allowable uses of the \$50 million of existing bonding authority which was authorized for capital costs related to the development of passenger rail service between Milwaukee and Madison and Milwaukee and Green Bay. Specify that the prerequisites for using the bond proceeds for the Green Bay or Madison service also apply to service to Waukesha County.

Specify that station improvements related to existing passenger rail service are also an eligible use of the \$50 million of bonding authority. Specify that DOT must receive the approval of the Joint Committee on Finance to use bond proceeds for this purpose.

Note:

In the 1993-95 budget, the Legislature authorized \$50 million in general obligation bonding authority for capital costs related to passenger rail service between Milwaukee and Madison and Milwaukee and Green Bay. DOT may not use any bond proceeds unless it has demonstrated to the Joint Finance Committee that Amtrak or the applicable railroad has agreed to provide service on the route and the Committee approves the use of the proceeds. None of this bonding has been used.

This motion would expand the allowable uses of this bonding authority to include track or station improvements related to the extension of Amtrak's Hiawatha route into Waukesha County or the establishment of commuter rail in this corridor or station improvements related to existing passenger rail service. The motion would also require DOT to get approval from the Committee before using the bond proceeds for these purposes.

Currently, Amtrak is discussing the possibility of extending service into Waukesha County using tracks owned by Canadian Pacific Railroad (CP Rail). Such service would be provided on a demonstration basis during the resurfacing project on the East-West Freeway.

MO# 1726

2 BURKE	(Y)	N	A
DECKER	(Y)	N	A
GEORGE	(Y)	N	A
JAUCH	(Y)	N	A
WINEKE	(Y)	N	A
SHIBILSKI	(Y)	N	A
COWLES	(Y)	N	A
PANZER	(Y)	N	A

1 JENSEN	(Y)	N	A
OURADA	(Y)	N	A
HARSDORF	(Y)	N	A
ALBERS	(Y)	N	A
GARD	Y	(N)	A
KAUFERT	(Y)	N	A
LINTON	(Y)	N	A
COGGS	(Y)	N	A

AYE 15 NO 1 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Freight Rail Infrastructure Improvement Program (DOT -- Local Transportation Projects)

[LFB Summary: Page 591, #4]

CURRENT LAW

Through the freight rail infrastructure improvement program (FRIIP), DOT provides low- or no-interest loans to railroads, shippers or local governments to perform a variety of capital improvements related to freight rail service. These improvements are designed to make freight rail transportation more efficient and competitive. As the loans are repaid, these funds are made available for new loans.

GOVERNOR

Provide \$1,000,000 SEG-L in 1997-98 and \$1,500,000 SEG-L in 1998-99 to reflect estimated loan repayments into the freight rail infrastructure improvement program's revolving fund. The loan repayments accounting for this increase represent the first substantial repayments since the program began. The loan repayments would be added to base SEG funding of \$5,579,800 to create a total of \$6,579,800 in 1997-98 and \$7,079,800 in 1998-99 available for disbursement as new loans.

DISCUSSION POINTS

1. Since much of the capital in the freight rail industry is considered nonrecoverable by financial lenders, the availability of credit for capital improvements, particularly track

upgrades, has been a concern of the industry. The freight rail improvement program was created to provide an additional source of credit for improvements in order to enhance the competitiveness of the industry.

2. Under FRIIP, DOT makes loans both to railroads and shippers served by railroads. The program, which is in its fourth year, is now starting to receive repayments on loans. About \$1,000,000 is expected in 1996-97 and \$1,500,000 is expected in 1997-98. The bill would maintain base SEG funding at \$5,579,800, and make the repayments from 1996-97 available for new loans in 1997-98 and the repayments from 1997-98 available for new loans in 1998-99.

3. An alternative to the bill would be to reduce SEG funding by an amount equal to loan repayments, thereby keeping the program at its current size. DOT's budget request included a recommendation that SEG funding be reduced by \$1,000,000 in 1997-98 and \$1,500,000 in 1998-99. With the anticipated repayments, the amount available for new loans would have remained constant at about \$5.6 million per year.

4. DOA indicates that the DOT recommendation was not included in the budget because the demand for loans is sufficiently high to justify an increase in the size of the loan fund.

5. DOT has recently received applications for loans totaling \$14.1 million for the 1997-98 program. Loans will be awarded in the fall. If the provisions in the bill are approved, loans totaling about 47% of applications could be awarded. If an alternative similar to DOT's budget request is chosen, loans totaling about 40% of applications could be awarded.

6. The decision on whether to reduce SEG funding would impact the growth of the revolving loan fund. Typically, loans are repaid in equal payments over a period of ten years. Assuming that all loans follow this model, at least \$23.4 million in additional loan repayments would be available for new loans over the next ten years if SEG funding were kept at its current level throughout that time. If SEG funding is reduced as under DOT's budget request, but no further SEG reduction occurs in the future, the minimum level of additional loan repayments available for new loans during that time would drop to \$17.6 million.

Interest Rates

7. An option for increasing the amount that is repaid to the state would be to require DOT to charge an interest rate that is at least as high as what the transportation fund would earn if the funds were not loaned. Charging this rate, which is the rate earned on the state investment fund (currently 5.26%), would increase the amount that is repaid to the state, which would increase the amount that could be made available for new loans.

8. Currently, DOT sets the interest rate so that the internal rate of return from an improvement is equal to or less than twice the prevailing cost of capital for the industry. If the expected rate of return is greater than twice the cost of capital, the interest rate is set so that the rate of return is just equal to twice the cost of capital. If the expected rate of return is less than twice the prevailing cost of capital, then no interest is charged. All but two FRIIP loans issued to date have been interest-free.

9. The procedure for determining the interest rate is based on statements from the industry that a rate of return of about twice the cost of capital is required before a railroad will make an improvement. The FRIIP program, therefore, is intended to induce improvements that result in public benefit, but which do not have sufficiently high private benefits to convince the railroad to make the investment without support.

10. Requiring a minimum interest rate would likely discourage some potential loan recipients from applying. DOT indicates that the nonrailroad entities (typically shippers) who are now receiving loans probably would not accept loans for the types of improvements that they are currently doing if interest were charged. The railroad that has received most of the loans to date, however, would likely continue using the program.

11. Since charging an interest rate equal to the state investment fund rate may discourage some improvements that have a public benefit, a partial subsidy on the rate may be appropriate. Another option would be to set the minimum interest rate at one-half the state investment fund rate.

ALTERNATIVES TO BASE

A. Funding Level

1. Approve the Governor's recommendation to provide \$1,000,000 SEG-L in 1997-98 and \$1,500,000 SEG-L in 1998-99 for freight railroad improvement loans.

<u>Alternative 1</u>	<u>SEG-L</u>
1997-99 FUNDING (Change to Base)	\$2,500,000
[Change to Bill]	\$0]

2. Reduce funding by \$1,000,000 SEG in 1997-98 and \$1,500,000 SEG in 1998-99, and increase funding by \$1,000,000 SEG-L in 1997-98 and \$1,500,000 SEG-L in 1998-99 to reflect loan repayments. This would keep the amount of funding available for loans at the same level as in the 1995-97 biennium.

<u>Alternative 2</u>	<u>SEG-L</u>	<u>SEG</u>	<u>TOTAL</u>
1997-99 FUNDING (Change to Base)	\$2,500,000	- \$2,500,000	\$0
[Change to Bill]	\$0	- \$2,500,000	- \$2,500,000]

B. Interest Rate

1. Establish a minimum interest rate for FRIIP loans equal to the rate earned on the state investment fund at the time the loan is approved.
2. Establish a minimum interest rate for FRIIP loans equal to one-half of the rate earned on the state investment fund at the time the loan is approved.
3. Take no action.

Prepared by: Jon Dyck

MO# A-2

2 BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
GEORGE	Y	<u>N</u>	A
JAUCH	<u>Y</u>	N	A
WINEKE	Y	<u>N</u>	A
SHIBILSKI	Y	<u>N</u>	A
COWLES	<u>Y</u>	N	A
PANZER	Y	<u>N</u>	A
JENSEN	<u>Y</u>	N	A
OURADA	<u>Y</u>	N	A
HARSDORF	<u>Y</u>	N	A
ALBERS	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
KAUFERT	<u>Y</u>	N	A
LINTON	<u>Y</u>	N	A
COGGS	<u>Y</u>	N	A

AYE 12 NO 4 ABS 0

MO# B-1

BURKE	<u>Y</u>	N	A
DECKER	<u>Y</u>	N	A
GEORGE	Y	<u>N</u>	A
JAUCH	<u>Y</u>	N	A
WINEKE	<u>Y</u>	N	A
SHIBILSKI	Y	<u>N</u>	A
COWLES	<u>Y</u>	N	A
PANZER	<u>Y</u>	N	A
JENSEN	<u>Y</u>	N	A
OURADA	<u>Y</u>	N	A
HARSDORF	<u>Y</u>	N	A
ALBERS	<u>Y</u>	N	A
GARD	<u>Y</u>	N	A
2 KAUFERT	<u>Y</u>	N	A
LINTON	<u>Y</u>	N	A
COGGS	<u>Y</u>	N	A

AYE 14 NO 2 ABS 0

TRANSPORTATION

Delayed Effective Date for Minimum Interest Rate Provisions for FRIIP

Motion:

Move to specify that the actions taken by the Committee to require DOT to charge an interest rate on freight rail infrastructure improvement program loans that are as least as high as the rate earned on the state investment fund would only apply to loan applications received after December 31, 1997. Multi-year loans for which applications were received by April 1, 1997, would be treated under the current policy regarding interest rates.

Note:

Applications for FRIIP loans are due by April 1 of each year. Consequently, the applications that will be reviewed and approved in 1997-98 were submitted with the expectation that the current policy regarding loans would apply. This motion would ensure that these loans, and any applications for new loans received before 1998 would continue to be subject to the current interest rate policy. Also, this motion would specify that applications for multi-year loans that were received before April 1, 1997, will continue to be treated under current policy regarding interest rates.

MO#

3163

BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

2 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
1 ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

Motion #3163

AYE 16 NO 0 ABS 0

To: Joint Committee on Finance

From: Bob Lang, Director
Legislative Fiscal Bureau

ISSUE

Railroad Crossing Repair Assistance (DOT -- Local Transportation Projects)

[LFB Summary: Page 592, #7]

CURRENT LAW

The railroad crossing repair assistance program offers reimbursement, equal to 85% of costs, to railroads for repairs to railroad crossings on state trunk highways. Unlike other programs related to railroad crossings, the focus of this program is on the smoothness of the crossing, rather than the installation or maintenance of safety devices. Base funding for the program was eliminated in the 1995-97 budget, but costs were covered during the biennium by a continuing appropriation balance. This balance was \$660,100 at the beginning of the biennium, but is estimated to drop to \$40,000 by the end of 1996-97.

GOVERNOR

Transfer \$180,000 SEG in 1997-98 and \$250,000 SEG in 1998-99 from the state highway rehabilitation appropriation to the railroad crossing repair assistance appropriation.

DISCUSSION POINTS

1. The bill would transfer funds from the rehabilitation appropriation to the railroad crossing assistance appropriation, which, when added to the projected balance in that appropriation at the end of 1996-97, would provide \$220,000 in 1997-98 and \$250,000 in 1998-99. At the time the budget was prepared, the remaining balance in the appropriation was projected to be \$70,000 and thus, the amounts transferred from the rehabilitation appropriation

under the bill were expected to be sufficient to provide \$250,000 in each year. In order to make \$250,000 available in each year, an additional \$30,000 would need to be transferred in 1997-98.

2. In its budget request, DOT recommended that: (a) the unencumbered balance at the end of 1996-97 be transferred to the highway rehabilitation program; and (b) statutory changes be made to make the rehabilitation appropriation the funding source for reimbursement. DOT indicated that covering these costs out of the rehabilitation program would provide more flexibility to handle a backlog of projects that may arise in any given year. Conversely, in a year in which needs were lower, more could be spent on highway rehabilitation.

3. DOA indicates that the bill would maintain a separate appropriation in order to maintain the visibility of the program. Under both alternatives, the funding would be covered from resources currently in the highway rehabilitation program.

4. The decision on whether to keep a separate appropriation for rail crossing repair assistance may depend on the relative weight given program flexibility and program visibility.

ALTERNATIVES TO BASE

1. Approve the Governor's recommendation to transfer \$180,000 SEG in 1997-98 and \$250,000 SEG in 1998-99 from the state highway rehabilitation appropriation to the railroad crossing repair assistance appropriation. This would make \$220,000 available in 1997-98 and \$250,000 available in 1998-99.

2. Transfer \$210,000 SEG in 1997-98 and \$250,000 SEG in 1998-99 from the state highway rehabilitation appropriation to the railroad crossing repair assistance appropriation. This would make \$250,000 available in each year of the biennium.

3. Transfer the balance in the railroad crossing repair assistance appropriation at the end of 1996-97 to the state highway rehabilitation appropriation and specify that payments for railroad crossing repair assistance be made out of the rehabilitation appropriation.

4. Take no action.

Prepared by: Jon Dyck

MO#

Alt 2

2 BURKE	Y	N	A
DECKER	Y	N	A
GEORGE	Y	N	A
JAUCH	Y	N	A
WINEKE	Y	N	A
SHIBILSKI	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A

1 JENSEN	Y	N	A
OURADA	Y	N	A
HARSDORF	Y	N	A
ALBERS	Y	N	A
GARD	Y	N	A
KAUFERT	Y	N	A
LINTON	Y	N	A
COGGS	Y	N	A

AYE

16

NO

0

ABS

0

TRANSPORTATION

Transfer of Funds For Railroad Crossing Protection Device
Maintenance to Device Installation

Motion:

Move to transfer \$500,000 SEG in 1997-98 from the appropriation for railroad crossing protection device maintenance to the appropriation for railroad crossing protection device installation.

Note:

The railroad crossing protection device maintenance program reimburses railroads for up to 50% of costs incurred to maintain warning devices. Funding in the bill for this program is \$2,250,000 SEG annually. The installation program pays for the cost of installing new warning devices where the Office of the Commissioner of Railroads determines that a device is needed. Funding in the bill for this program is \$450,000 SEG and \$1,000,000 FED annually.

This motion would result in a one-time transfer from the crossing maintenance program to the crossing installation program. Currently, \$1,255,000 would be needed to fund crossing devices that have been ordered by the Office of the Commissioner of Railroads (OCR). Existing funding in the program would be sufficient to fund all of these projects, but it is likely that new signals will be ordered.

The Commissioner is in the process of reviewing the existing orders to determine whether crossing devices are still warranted at all of the locations. In some cases, warning signals may no longer be needed because traffic on the lines is less than what it was when the OCR issued the original order. In other cases, the Commissioner has determined that improvements to the existing signals, rather than entirely new signals, would be sufficient to improve the safety of the crossing. The OCR indicates that, after this review, the total cost of the backlog may be reduced by as much as 50%.

There are about 2,500 existing crossing devices in the state. Federal law requires railroads to test each device monthly and make any needed repairs. The crossing maintenance program can reimburse railroads for up to 50% of the costs of this inspection and maintenance, but funding has typically not been sufficient to provide the full 50%. Since railroads are required to maintain the crossings, this motion would result in their paying for a larger share of costs for one year.

MO# 1716

BURKE	<input checked="" type="radio"/>	N	A
2 DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
1 JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	Y	<input checked="" type="radio"/>	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A

JENSEN	Y	<input checked="" type="radio"/>	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 14 NO 2 ABS

TRANSPORTATION

Local Transportation Projects

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
3	Freight Rail Preservation Program
5	Harbor Assistance Program
6	Reduce Required Vertical Clearance for Structures Above Railroads
9	Railroad Crossing Improvement and Protection Installation
10	Transportation Enhancements Program

include
MO# 3, 5, 9, 10

BURKE	<input checked="" type="radio"/>	N	A
DECKER	<input checked="" type="radio"/>	N	A
GEORGE	<input checked="" type="radio"/>	N	A
JAUCH	<input checked="" type="radio"/>	N	A
WINEKE	<input checked="" type="radio"/>	N	A
SHIBILSKI	<input checked="" type="radio"/>	N	A
COWLES	<input checked="" type="radio"/>	N	A
PANZER	<input checked="" type="radio"/>	N	A

JENSEN	<input checked="" type="radio"/>	N	A
OURADA	<input checked="" type="radio"/>	N	A
HARSDORF	<input checked="" type="radio"/>	N	A
ALBERS	<input checked="" type="radio"/>	N	A
GARD	<input checked="" type="radio"/>	N	A
KAUFERT	<input checked="" type="radio"/>	N	A
LINTON	<input checked="" type="radio"/>	N	A
COGGS	<input checked="" type="radio"/>	N	A

AYE 16 NO 0 ABS 0